

22 July 1966?

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Declass Review by NGA

**Gentlemen:**

The Government bases its position on several points, first, in your letter of 14 October 1965 you indicated a familiarity with the "Limitation of Cost" clause set forth under Article 9 which states among other things that Contractor should not incur cost beyond the estimated cost set forth in the contract unless advised to do so in writing by the Contracting Officer. In recognition of the above article your letter pointed out an increase in the program "total cost" which required certain additional funds. In a later letter dated 28 October 1965, further clarifying your request for additional funds, you requested a change in the delivery schedule of Proto-types I and II to 17 December 1965 and 14 January 1966, respectively. During the discussions that followed your request for additional funds, you agreed to absorb a certain amount of cost and as a result all concerned considered the eventual agreement to accurately represent the "total cost" to the Government. This conclusion is further supported by your acceptance and execution of Amendment No. 1 on January 26, 1966, without exception, at a time when most of the excess cost had already been expended.

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declassification

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25X1 With regard to your reference to authorizations implied or otherwise to continue work by the technical representatives of the Contracting Officer, it is well known that only the Contracting Officer can commit the Government to the expenditure of funds. In this case however our technical representatives, at least up through 8 February 1966 were of the same opinion as the Contracting Officer, that, in the absence of a specific request for additional funds [ ] would finish the work at the amount agreed to in Amendment No. 1. At that meeting, after you had expended over [ ] apparently a verbal statement was made indicating that [ ] had expected compensation for the previously incurred overrun. At this time you were informed to submit detailed information on the alleged overrun which would then be considered by responsible officials. At the same time the technical monitor pointed out his understanding based upon Amendment No. 1.

25X1 In spite of the technical monitors' request for a detailed analysis of the overrun at the 8 February meeting, [ ] did not comply in writing until 1 March 1966 when all work stopped and costs were then at the [ ] level.

25X1 Throughout the entire period of performance it must again be pointed out that only once did [ ] officially and properly request additional funds to complete the scope of work. In addition, when information was transmitted regarding costs expended in excess of contract authorization, usually substantially beyond the date of incurrence, the Government felt [ ] was carrying out the agreements reached during the negotiation of Amendment No. 1.

In view of the above, the consideration set forth in subject task order must remain as is and you are requested to ship the equipment developed hereunder to the consignee address contained herein.

Very truly yours,

Distribution:

- Orig. - Addressee
- 1 - CA&SB File
- 1 - [ ] T.O. 2
- 1 - NPIC

[ ]  
Contracting Officer

25X1 OL/PD/CA&SB [ ] (21 July 1966)

By \_\_\_\_\_  
Duly Authorized Representative

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MEMORANDUM FOR:

(DATE)

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